

CHILLON TRADING LIMITED

RISK ASSESMENT

Version Control Record

[illegible]

1. Business-based risk assessment

Factors	Risk Rating	Rationale	Measures to address for high risk
Scrap gold returned by jewelry company	Low risk	Recycle gold jewelry within their means	N/A
precious metal bar and industrial metal below 20 bars	Low risk	Recycle within customer means	N/A
High value products precious metal bar over 20 bars	High risk	High value products that can be easily concealed, transported or liquidated	<ul style="list-style-type: none"> *Increase the frequency of monitoring *Note and analysis transaction that differ from initial anticipated *Conduct CDD *Complete STR when necessary *No cash transaction
Non face to face delivery channels (by phone, internet, or mail)	High risk	Possibility of third-party involvement in the payment or receipt of products	<ul style="list-style-type: none"> *Increase employee awareness of the risk of online transfer *identify and verify counterparties and customer before conduct high value transaction *perform one maker and one checker procedure *prior to transaction, verify

			the bank account of the customer and the counterparty
Transaction processing with cash	High risk	Possibility of ML	Not allowed
Bullion that has physical characteristics inconsistent with industry standard	High risk	Customer not familiar with the markets	*identify and verify counterparties and customer before conduct high value transaction *Conduct CDD

2.Relationship-based risk assessment

A. Background of customer in previous year (2022)

Background	Number of transactions	% of total transactions	Low risk	Medium risk	High risk	Measures to address risk
Foreign	30	10%	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Local	30	10%	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

B. The Geography related to customer

Check against the FATF public lists of high-risk and other monitored jurisdiction at

<http://www.fatf-gafi.org/countries/#high-risk>

<http://www.fatf-gafi.org/countries/#other-monitored-jurisdictions>

Country	Number of transactions	% of total transactions	Low risk	Medium risk	High risk	Measures to address risk
Local (Hong Kong)	30	50	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Foreign (Singapore)	10	30	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Foreign (China)	10	20	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Foreign (Taiwan)	5	10	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Foreign (South Korea)	5	10	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

3.OECD Red Flag assessment for CAHRA

Chillon should identify CAHRA through reliable resources:

Management need to periodically update the reliable resources. If the precious metal supply from the CAHRA, need to proceed with ECDD. GL may find a combination of the publicly available resources referenced below

CAHRA website:

<https://www.cahraslist.net/>

For Criterion CONFLICT

[Heidelberg Conflict Barometer](#)

[Global Peace Index](#)

[Armed Conflict Location and Event Data \(ACLED\)](#)

For Criterion GOVERNANCE

[Worldwide Governance Indicators \(WGI\)](#)

[Fragile States Index](#)

[National Resource Governance Institute](#)

For Criterion HUMAN RIGHTS

[State Department Human Rights Report](#)

[United Nations Human Rights Council](#)

[Office of the United Nations High Commissioner for Human Rights](#)

[United Nations Development Program — International Human Development Indicators — Country Profiles](#)

Red flags are indicator of a potential risk that requires further investigation through a subsequent risk assessment.

Chillon should Determine and investigate gold origin.

1. Mined gold
2. Recyclable gold
3. Grandfathered Stocks (defined as prior from 1 Jan 2012)

Based on the information of gold origin, and KYC information, Chillon should identify any the following red flag

Type of red flag	Description of red flag
Red-flag locations (locations of origin and transport)	The gold/silver/PGM originates from or has been transported through a CAHRA.
Red-flag locations (locations of origin and transport)	The gold/silver/PGM is claimed to originate from a country that has limited known reserves or stocks, likely resources or expected production levels of gold/PGM/silver (that is, the declared volumes of gold/ silver/PGM from that country are out of keeping with its known reserves or expected production levels)
Red-flag locations (locations of origin and transport)	The gold/silver/PGM is claimed to originate from a country through which gold/silver/PGM from CAHRAs is known or reasonably suspected to transit.
Red-flag supplier	Suppliers or other known upstream companies operate in one of the above-mentioned red-flag locations of gold/silver/PGM origin and transit, or have shareholder or other interests in suppliers of gold/silver/ PGM from one of the above-mentioned red-flag locations of gold/silver/PGM origin and transit.
Red-flag supplier	Suppliers or other known upstream companies are known to have sourced gold/silver/PGM from a red flag location of gold/silver/PGM origin and transit in the last 12 months.
Red-flag circumstances	Anomalies or unusual circumstances are identified through the information collected in KYC , which give rise to a reasonable suspicion that the gold/silver/PGM may contribute to conflict or serious abuses associated with the extraction, transport or trade of gold/silver/PGM.